

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1440

**Introduced by Assembly Member Nazarian
(Coauthor: Assembly Member Chiu)**

February 27, 2015

An act to amend Section 10082.5 of, *and to add Section 10089.395 to*, the Insurance Code, relating to earthquake insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1440, as amended, Nazarian. ~~Earthquake insurance.~~ *Earthquake loss mitigation: grant programs.*

Existing law, the California Earthquake Authority Act, establishes the California Earthquake Authority (the authority) and authorizes the authority to transact insurance in this state as necessary to, among other things, create and maintain, in collaboration or jointly with subdivisions and programs of local, state, and federal governments and with other national programs, programs and activities that mitigate against seismic risks, for the benefit of homeowners and other property owners. Existing law establishes the Earthquake Loss Mitigation Fund, a subaccount of the California Earthquake Authority Fund, a continuously appropriated fund. Existing law authorizes the authority to apply money in the Earthquake Loss Mitigation Fund to supply grants and loans or loan guarantees to dwelling owners who wish to retrofit their homes to protect against earthquake damage, as specified.

This bill would require the authority to establish a grant program, to be administered by a joint powers authority of the authority and the Office of Emergency Services, that would give a grant to an applicant who owns and lives in a single-family residential structure for the

purpose of paying a portion of the cost of seismic retrofit work to the structure, as specified. This bill would require the authority and the office to jointly adopt regulations necessary to implement the grant program and to establish eligibility criteria for participation in the grant program. This bill would establish the maximum amount of a grant to an applicant, and would provide that a low-income applicant with an adjusted gross income that does not exceed specified limits does not have to provide matching funds as a condition of obtaining a grant under the program. This bill would provide that money in the Earthquake Loss Mitigation Fund may be expended to implement the grant program and make grants under the program upon appropriation by the Legislature.

Existing law prohibits an insurer who charges an additional earthquake insurance premium or deductible because a dwelling fails to meet certain building requirements relating to earthquake bracing from charging the additional premium or deductible if the dwelling is brought into compliance with those requirements, as specified.

This bill would make nonsubstantive, technical changes by deleting obsolete portions of those provisions.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) *The Legislature finds and declares all of the*
- 2 *following:*
- 3 (1) *The earthquakes of 2014 that affected the Cities of La Habra*
- 4 *and Napa have generated increased interest in mitigating*
- 5 *single-family homes against earthquake damage.*
- 6 (2) *The California Earthquake Authority and the Office of*
- 7 *Emergency Services plan to expand the Earthquake Brace + Bolt*
- 8 *program to 650 homes in 2015.*
- 9 (3) *The California Earthquake Authority is working with the*
- 10 *Federal Emergency Management Agency and the Applied*
- 11 *Technology Council, a nonprofit research organization, to develop*
- 12 *the “ATC-110. Development of a Prestandard for the Evaluation*
- 13 *and Retrofit of One and Two Family Light Frame Residential*
- 14 *Buildings” for retrofitting additional types of single-family homes.*
- 15 (4) *A well-funded program to encourage homeowners to mitigate*
- 16 *their homes would mean more homes would survive an earthquake*

1 *and homeowners who retrofit their homes would receive actuarially*
2 *justified lower rates for earthquake insurance.*

3 *(5) Only 12 percent of California homeowners currently*
4 *purchase earthquake insurance, leaving the vast majority of*
5 *homeowners unprotected in the event of a major earthquake.*

6 *(6) There are many paths to funding a retrofit program,*
7 *including income tax credits, sales tax rebates, attaching the*
8 *financing to property taxes, and grants.*

9 *(b) Therefore, it is the intent of the Legislature to enact*
10 *legislation that would create and fund a program to assist*
11 *California homeowners with earthquake mitigation repairs to their*
12 *homes.*

13 **SECTION 1.**

14 *SEC. 2. Section 10082.5 of the Insurance Code is amended to*
15 *read:*

16 10082.5. (a) If an insurer subject to this chapter charges an
17 additional earthquake insurance premium or deductible because a
18 dwelling fails to comply with paragraph (1), (2), or (3) and the
19 dwelling is subsequently brought into compliance with any one of
20 these paragraphs, then the additional premium or deductible
21 attributed to noncompliance shall not be charged.

22 (1) Compliance with Section 19215 of the Health and Safety
23 Code for the bracing, anchoring, or strapping all water heaters to
24 resist falling or horizontal displacement due to earthquake motion.

25 (2) Compliance with the foundation anchor bolt requirements
26 of the 2007 edition of the California Building Standards Code as
27 specified in Title 24 of the California Code of Regulations, or a
28 successor edition of that code, or with any local government
29 modifications to those requirements.

30 (3) Compliance with the bracing requirements for cripple walls
31 of the 2007 edition of the California Building Standards Code as
32 specified in Title 24 of the California Code of Regulations, or a
33 successor edition of that code, or with any local government
34 modifications to those requirements.

35 (b) A copy of the approved inspection record for the building
36 permit for work performed pursuant to this section shall be
37 submitted by the insured to the insurer in order to verify that
38 retrofits performed pursuant to this section have been performed.

39 *SEC. 3. Section 10089.395 is added to the Insurance Code,*
40 *immediately following Section 10089.39, to read:*

1 10089.395. (a) On or before July 1, 2016, the authority shall
 2 establish a grant program that is administered by a joint powers
 3 authority of the California Earthquake Authority and the Office
 4 of Emergency Services for the purpose of providing monetary
 5 grants that assist a qualified homeowner by defraying the
 6 homeowner’s cost of seismic retrofitting of residential structures.
 7 (b) An applicant who satisfies all of the following may seek a
 8 grant from the program established by this section:
 9 (1) The applicant is an owner of record of, and lives in, the
 10 structure to be retrofitted.
 11 (2) The structure is a single-family, detached, residential
 12 building of not more than four dwelling units.
 13 (3) The structure meets structural requirements established
 14 pursuant to subdivision (c).
 15 (4) The structure is located in a high-risk earthquake area,
 16 based on criteria established pursuant to subdivision (c).
 17 (5) The retrofit work qualifies as work for which the applicant
 18 may receive a grant, based on criteria established pursuant to
 19 subdivision (c).
 20 (c) The authority shall, jointly with the Office of Emergency
 21 Services, adopt regulations necessary to implement this section,
 22 including, but not limited to, establishing structural eligibility
 23 requirements for structures that will receive seismic retrofit work,
 24 defining criteria for determining whether a structure is located in
 25 a high-risk earthquake area, and defining criteria for seismic
 26 retrofit work that qualifies as work eligible for receipt of a grant.
 27 (d) A grant shall not exceed the lesser of 75 percent of the cost
 28 of the qualifying retrofit work, or three thousand dollars (\$3,000).
 29 (e) A single person with an adjusted gross income of fifty
 30 thousand dollars (\$50,000) or less, or a married couple with an
 31 adjusted gross income of one hundred thousand dollars (\$100,000)
 32 or less, as defined by Section 62 of the Internal Revenue Code,
 33 shall not be required to provide matching funds as a condition of
 34 receiving a grant.
 35 (f) The authority may expend money in the Earthquake Loss
 36 Mitigation Fund, upon appropriation by the Legislature, to
 37 implement and make grants pursuant to the program established
 38 by this section.

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